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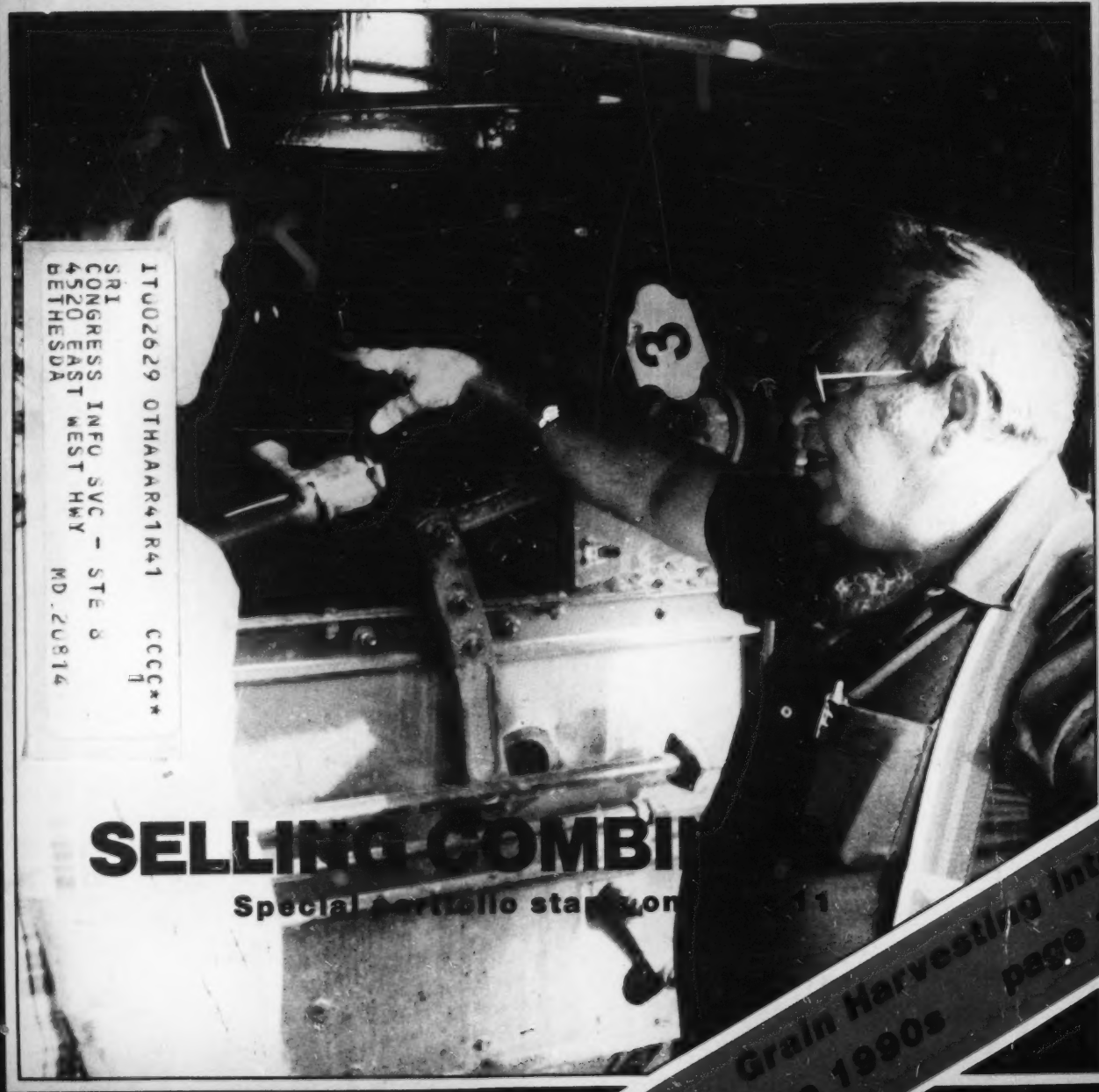
I&T 100 YEARS OF LEADERSHIP

Implement & Tractor

The business magazine of the farm and industrial equipment industry

July 1988

1988-89 Conventions, Shows page 26



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Special portfolio start on page 11

Grain Harvesting into the 1990s page 14

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I&T 100 YEARS OF LEADERSHIP

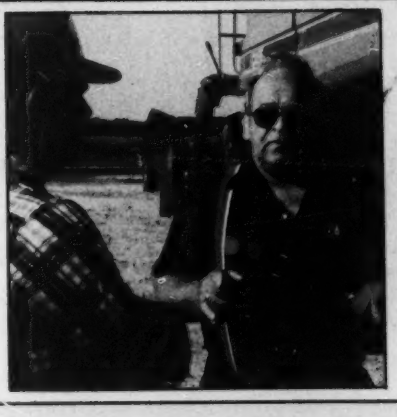
Implement & Tractor

The business magazine of the farm and industrial equipment industry.

July 1988 • Vol. 103 • No. 8

On Our Cover

Farmer Don Fiddler (left), Belvidere, Ill., and Al Degner, salesman at Walker-Schork International, talk about the combine Don recently purchased. (Larry Stewart photo.)



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18 **The only** way to sell something new is to demonstrate it and show that you know how to keep the customer happy, says dealer Bob Lindeman.

25 **Conventions, meetings and** equipment shows: details for the coming year.

30 **Clay Equipment** put in an employee stock ownership plan four years ago and they like the results.

33 **Manufacturers' concerns** about supplies were evident at FEMA's recent Spring Management Clinic.

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BRIEFS

Racine Fluid Power, Inc., the newly formed subsidiary of Robert Bosch Corp., Broadview, Ill., has acquired the Racine Hydraulics Div. of Dana Corp., Toledo, Ohio.

Kyle International, Ltd., Virginia Beach, Va., will be sole importer and distributor of the Hako-Werke line of groundskeeping equipment built in Bad Oldesloe, West Germany. After distribution is set up, plans are to begin assembly operations at Virginia Beach.

Deere & Co. has entered a non-exclusive joint marketing agreement with Yetter Mfg. Co., Colchester, Ill., for the Yetter 6600 series coulter cart, to be used on Deere 515 and 520 grain drills for no-till seeding. The cart will be marketed by Deere under the Yetter name.

M & W Gear Co., Gibson City, Ill., has acquired all assets of the Willsey-D Corp., Maple Hill, Kan. The line of Grazier lawn and commercial mowing equipment will continue to be made at Maple Hill.

In Canada, the tri-province Prairie Agricultural Machinery Institute has become a bi-province operation. Alberta decided not to continue supporting the program of operating farm equipment research and test centers in each of the three Prairie Provinces. Alberta will set up the Alberta Farm Machinery Research Center, using the former PAMI facility at Lethbridge, Alta.

Unverferth Mfg. Co., Kalida, Ohio, has acquired selected assets of Brent Industries, Shell Rock, Iowa. Brent products include yield carts, gravity wagons, grain trailers, stalk shredders and grain carts. They will continue to be made at the Iowa location.

Brillion Iron Works, Inc., Brillion, Wis., has been acquired by Truck Components, Inc. (TCI), Oak Brook, Ill. Brillion will operate as a TCI subsidiary, with Karl Galer continuing as president and chief executive officer. He will report to Anthony Girone, TCI chief operating officer.

Gehl Co. has been named 1987 Business-to-Business Marketer of the Year by the Milwaukee chapter of the American Marketing Assn.

What They're Saying...

Unbridled Advocacy

Lee Iacocca, chairman of the board of Chrysler Corp., spoke to the American Bar Assn. at its San Francisco convention.

A small company in Virginia that made driving aids for handicapped people went out of business because it couldn't afford the liability insurance. Too risky. There used to be 18 companies making football helmets in this country, but the liability crisis has pared them down to just two. Nobody makes gymnastics or hocky equipment anymore. Too risky. One of these days, we're going to wake up and say, "Competing is just too risky."

I'm no lawyer, but I think they're supposed to punish gross negligence or reckless disregard for safety. I can't argue with that. If somebody is totally irresponsible, he should pay for it. But I'm afraid we're beginning to punish some of the normal risks that simply can't be avoided when you produce almost any kind of product. And when we punish normal risk, we're punishing competitiveness and we're punishing progress.

If we're not willing to accept some of the risks that other countries are, then even if the Constitution lives to 300 years, I'm not sure there'll be much to celebrate.

Now don't get me wrong. Some of these issues need to be debated. And we need strong advocates on both sides in order to find the answers. But if the debate never ends, if compromises are never reached short of the courthouse, then we go nowhere.

Advocacy is your profession. Advocacy is fine. It's unbridled advocacy that's the problem today. And it's getting out of hand. Advocacy may be necessary to settle our legitimate differences, but unbridled advocacy seems to be creating differences that we didn't know we had, that we probably can't afford.

It's time to change some of the rules, even if we have to compromise some of our rights to do it. America just can't afford all this unbridled advocacy. It's been our willingness for 200 years to find sensible compromises that has kept the Constitution alive. It was born in compromise and survived because of compromise. As soon as we forget how to compromise, I think it is doomed.

Site-Specific Optimum Tillage

Dr. Richard Johnson is senior scientist at Deere & Co.'s Technical Center in Moline, Ill. At the International Symposium on Agricltural Mechanization in Bologna, Italy, he said:

Future advances in crop yield will demand further improvements in machine productivity and the trend toward modular design will also likely continue.

Since the beginning of mechanized agriculture, most tillage systems have involved primary tillage with a moldboard plow followed by several secondary tillage passes to produce a residue-free, smooth seedbed. Though this type of tillage will continue to predominate in several areas, other regions will increasingly adopt conservation tillage systems that leave rougher, residue-covered soil surface for soil erosion control.

Tillage practices differ not only from one region to another but often within a given farming unit. Optimum tillage practices are becoming site-specific, much like fertilizer and crop cultivar inputs. Diverse tillage practices necessitate that tillage and planting equipment be designed to handle a much broader range of field conditions.

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Demonstrations and Margins—Is There a Connection?

Most of these combine dealers say the tryout is needed in a small minority of deals. But one brand's dealers have a different experience. And they get better gross margins, too. Hmmm.

By Bill Fogarty

SOME DEALERS are good at selling combines without a demonstration. Others say it's necessary most of the time. Who's right?

That's one of the questions that emerges from an *I&T* mini-survey. We asked four combine manufacturers—Case IH, Deere, Deutz-Allis and Ford New Holland—to give us the names of some of their top-selling combine dealers. They came back with 48 names, and of these, 26 answered our survey.

Over a four-year span, these 26 dealers have sold (or expect to have sold, by the end of 1988) 962 new combines and 1,927 used ones. That works out to 37 new and 74 used units per dealer, or about nine new and 18 used per year.

We asked the dealers to identify the brand of combine they sell, how long they have been selling it, and how many new and used units they sold in 1985, 1986 and 1987 and (estimated) 1988. We also asked them to estimate their *typical* gross margins for new and used combines in each of those years. (We made a small mistake here. We should have asked specifically for percentages. We didn't, and some of the replies were in dollars, which we had to exclude.)

Another question: "About what percent of new combine sales require a demonstration?" We also noted that since many dealerships have folded up and surviving dealers are meeting some of their former customers, "what percentage of combine sales in 1987 and 1988 have been to new customers?"

Finally, we asked them to rank various influences as to their importance in buying decisions today.

The rate of response was very strong—26 out of 48 makes us feel grateful for these dealers' interest in our project. We surveyed in the middle of their busy season, May. We might have done even better if it hadn't been for one circumstance: The Deutz-Allis dealers we surveyed were off on a company trip to Germany at the

(More, next page)

I. What Percentage of New Combine Sales Require a Demonstration?

This table sets out the individual responses of all 26 dealers, separated out by combine brand.

Case IH dealers' combine sales	Deere dealers' combine sales	Deutz-Allis dealers' combine sales	Ford New Holland dealers' combine sales
10%	2%	10%	80%
N.R.	0-2	0-10	80
0	20	0	20-25
0	10	10	80
10	N.R.	15	25
0	N.R.		100
95	10		
	10		
Average pct. of sales that required a demonstration:			
19	9	8	65

N.R.—No reply given.

(SURVEY, from previous page) time our questionnaire hit their desks. Even so, five of 18 D-A dealers answered the survey.

Veteran Sellers

When we started this project, one thought haunted us. Will we get the names of dealers who are new, whiz-bang, high-volume dealers—who usually go broke three years after they start? Apparently, we did not.

Four of the 26 dealerships are in their fourth year of selling their make of combine. Some of these may have been in business longer than that. The rest are long on experience in combine sales. For instance, all but one of the Case IH dealerships have been in the business for over 20 years, some for as long as there have been combines. The overall average was just over 20 years.

Thus, when they talk about their margins, it is likely they have a good idea of what it takes to survive in this business.

Demos, Margins: A relationship?

When we started this survey project, we didn't know if we would come up with something significant or merely assemble some interesting facts. We still can't be sure, but we think we have a good point worth a lot of pondering.

First, take a look at Table I. Dealers estimated about how many new combine sales required a demonstration. Consider that all Deere and Deutz-Allis dealers and all but one Case IH dealer said that relatively few sales need a demo. And look at the importance the Ford New Holland dealers attach to demonstrating!

Why is that? Are Ford New Holland people trained to regard the demonstration differently than other dealers? Or is it because in the combine marketplace, Ford New Holland is the relatively new kid on the block and has to demonstrate more?

Now consider Tables IIa and IIb, which deal with dealers' gross margins on new and used combines. The Ford New Holland dealers report bigger margins and they also report more demonstrating. Is there a connection?

One FNH dealer, who said that 80 percent of combine sales need a demonstration, added this: "We have a very innovative combine to sell. This is why demonstrating is the main selling point. We put in from 250 to 350 hours a year demonstrating in barley, wheat, soybeans and corn. These machines today have large enough capacity to handle all crop conditions. Rotary combines got a bad name when they were first introduced because in tough conditions they couldn't put it through the way conventional combines did. This is why for us, demonstrating goes a long way to selling a combine."

Unfortunately, this is one of the dealers who expressed his margins in dollars rather than percentages, so we couldn't see if there was a relationship between his demonstrating and his margins. He sold 11 new and 14 used combines last year and expects to do better this year.

The ultimate answer to the question, of course, would require a very broad survey of all dealers, one that *I&T* isn't staffed to do. This survey, remember, covers a small number of dealers who lead the pack in terms of unit sales volume.

The Big Influences

Table IV shows how dealers ranked seven factors we set forth in our questionnaire. The quality of the dealership noses out price as the No. 1 factor, but not by much. The price factor is also a very strong No. 2 influence, in these dealers' opinions.

After listing these seven influences on the combine buying decision, we left a large space, marked "other," for dealers to mention anything they didn't think was covered in the seven

IIa: Dealers' Typical Gross Margins on New Combine Sales (Estimated)

	1985	1986	1987	1988 (est.)	Four-year average
Case IH dealers' average margin	7.6%	8.2%	7.4%	9.4%	8.1%
Deere dealers' average margin	6.5	6.5	7.3	8.6	7.2
Deutz-Allis dealers' average margin	4.0	5.5	10.5	10.5	7.6
Ford New Holland dealers' average margin	13.0	10.3	7.3	9.3	10.0
All dealers' average margin	7.7	7.6	7.7	9.3	8.1

IIb: Dealers' Typical Gross Margins on Used Combine Sales (Estimated)

	1985	1986	1987	1988 (est.)	Four-year average
Case IH dealers' average margin	8.8%	8.6%	10.0%	11.0%	9.6%
Deere dealers' average margin	9.7	9.3	7.2	8.6	8.7
Deutz-Allis dealers' average margin	7.0	8.5	12.0	12.0	9.9
Ford New Holland dealers' average margin	17.6	15.7	14.7	16.7	16.2
All dealers' average margin	10.6	10.2	10.7	12.5	11.4

III: What Percent of Combine Sales Are to New Customers (1987, 1988)?

Combine dealer	Estimated percentage of sales	Range of estimates (percentage)
Case IH	35	10-70
Deere	20	5-35
Deutz-Allis	30	15-60
Ford New Holland	30	10-50

we named. Here are their responses:

•"Price is the reason new combines get sold, no matter whose brand—25 to 45 percent discounts on all makes."

•"I'd like to think dealership reputation would be No. 1 because of the large inventory of parts, because of years of mechanical experience our servicemen have, because of a new, modern building, because of all the latest shop tools to service the most sophisticated equipment and because of our friendly, helpful personnel.

"But all this gives us is an opportunity to compete with the cutthroat down the road operating out of a gas station. If we can meet his price, we'll probably get the deal."

•"It's a combination of factors that works—machine reputation, dealer support and, of course, trade difference in dollars."

•"Axial flow's unquestioned superiority in rice fields."

•"Having used combines field-ready, and company discounts help, too."

•"Availability. Inventory is getting more scarce. The dealer who has what the customer wants will have the best chance to make the sale."

•"Availability. In the next six months, combines will become as tractors have become, real short. The majors have gone back to retail much faster than the dealers have. We dealers are slow to add on to our margins, and we're the ones who need margin more than the manufacturer."

"We dealers are slow to add on to our margins, and we need margin more than the manufacturer does."

•"You need to sell a combine with a good reputation, and give good parts and repair service."

•"Demonstration is critical."

•"Parts availability when the customer walks in."

New Customers

In 1987 and 1988, as Table III shows, these dealers were making sales to new customers in about 30 percent of their deals. Some of these newly landed buyers have to be former customers of dealers who have gone out of business or who can no longer supply combines (*i.e.*, Massey).

Other Comments

I&T editorial surveys always invite the respondent to write opinions on the back of the sheet, in the margins, wherever there's space, and sometimes we learn something we didn't know. Here are some additional dealer remarks:

•"Our company, J.J. Nichting Co., Pilot Grove, Iowa, was started in 1920. We have always been the leader in combine service with the largest inventory in this area. We have increased our combine market share to 70 percent in the area we cover."

•"Our big problem is selling used combines with high hours. Cannot find a good outlet."

•"It's getting harder all the time to make a profit with Case IH giving combines away."

•"Used combine margin must be taken with a little grain of salt. About half to a third of this margin was accredited to write-downs of inventory at the end of this year."

Conclusion

This survey doesn't prove anything. But if I were in the business of selling combines, I'd think long and hard about the experience of the Ford New Holland dealers who demonstrate so much and are experiencing better margins.

Maybe once you've gotten the prospective buyer to try out your machine, even though he's done business with you before, it's easier to hold your margin.

Or am I failing to see something? If you have a comment, please drop the writer a note. □

IV: Top Dealers Rate the Major Influences In Today's New Combine Buying Decisions

Influence	No. 1 Votes	No. 2 Votes	No. 3 Votes	No. 4 Votes	No. 5 Votes	No. 6 Votes	No. 7 Votes
Price and discount	9	9	1	4	1	0	0
Financial terms	2	4	7	4	0	4	2
Trade-in allowance	1	5	4	5	2	3	3
Combine's mechanical, technical improvements	3	3	3	5	2	2	5
Old combine worn out	1	3	5	1	6	3	4
Backup reputation of dealership	10	1	4	5	4	1	0
Farming more acres, trading up	2	1	4	2	7	3	4

Note: In ranking the major influences, some dealers gave equal importance to two or more. Thus, while 24 of our 26 responding dealers participated in this ranking, there were 28 No. 1 votes cast.